We have the vehicle owner on the bottom but he should be on the top. This whole massive structure is driven by that car owner — be it a he or she, old or young, import or domestic car owner. That's what all of this is about — meeting the consumer wants, desires and needs.

He has several areas to choose. First, he must decide if he is going to fix it himself or have it fixed. If he is going to have it fixed, which I believe he will do more and more, he can choose from:

- Auto service centers (K-Mart, Sears, Firestone);
- Specialty service shops (Midas, Precision Tune, AAMCO);
- Service stations;
- General or independent garages;
- Vehicle dealers.

We'll talk more about the consumer later and what you need to be doing to satisfy him.

As you can see we are all one big happy family, selling to and competing with each other on a daily basis. Even some of the manufacturers are opening their own repair shops and selling direct to anyone and everyone. Everyone seems to be hedging their bets and covering their flanks by trying to be sure they have ways to the consumer no matter what choice he makes.

It's in a real confused state now. Eventually it will be straightened out but it will take time and some will suffer and go away.

To set the record straight, NAPA doesn't compete in the service arena and we don't ever intend to. We have a few of our independent jobbers who have tried and some are still in it, but it would be far less than 1% of our jobbers and they have made the decision on their own.

Here is where NAPA gets its business:

- 41% — Garage, service station, body shops;
- 28% — D-I-Y (as compared to industry averages of 35%-40%);
- 11% — fleets;
- 12% — farm;
- 8% — industrial/institutional.

That's enough about NAPA. But I thought you should know that I'm not up here saying one thing while we're out there doing something else.

If you recall earlier, I quoted some numbers about the size of the total aftermarket. Here is more detail.

At 1983 retail sales, the total aftermarket was $86.2 billion made up of $59.0 billion in service sales and $27.2 billion in over the counter sales *(see chart 2)*. This includes tires, batteries, oil, accessories — the works — plus service labor.

Of the total, you folks participated in 63.9% of the market share in the last two columns. In the service market only, you had 86.1% of the business, or $50.7 billion in 1983.

Let's break this down and look just at service dealer sales. Here, I have 1984 information that isn't even released yet. Our good friends at Hunter Publishing are about to publish their 3 year service job analysis and Al Joseph was kind enough to let me have some of the numbers listed in chart 3.

Chart 1

The Distribution of Replacement Auto Parts

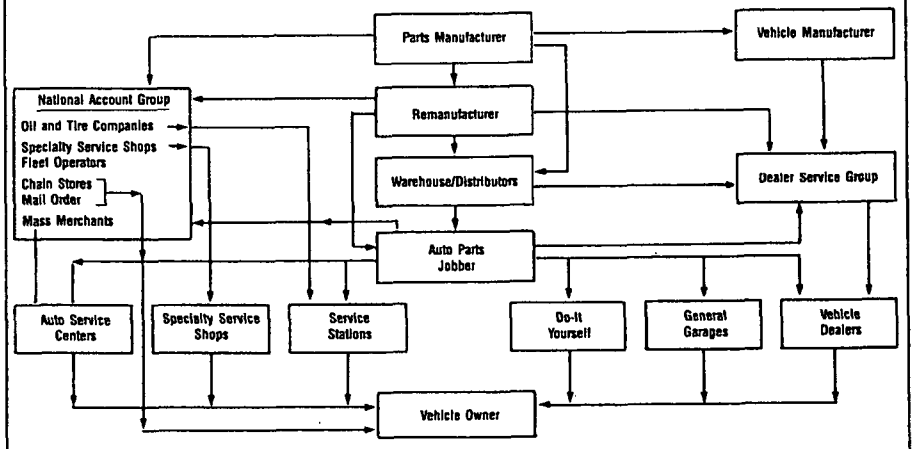


Chart 2

The Total Automotive Aftermarket

(Estimated 1983 Retail Sales in Millions of Dollars)

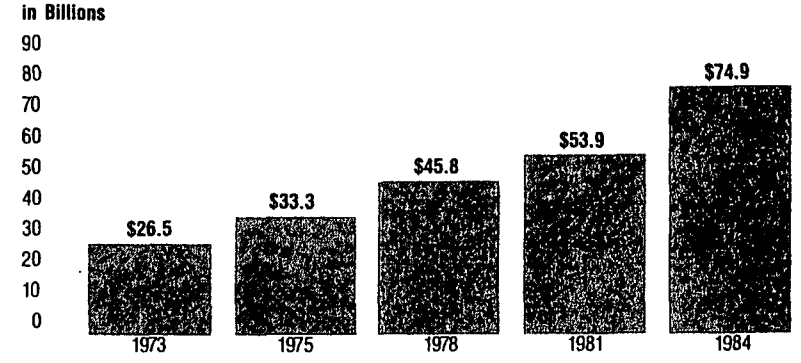
	Total Retail Sales	Tire Stores	Auto Supply Chains	Mass Mdrs.	Garages Franchised Specialists	Other: Car Dealers Gas Stations Jobber - Retailers
Automotive Service Mkt.	$59,003	3,744	2,011	2,489	24,552	26,210
Percent	100.0	6.3	3.4	4.2	41.6	44.5
Over-the-Counter Mkt.	$27,240	5,066	9,856	8,055	—	4,263
Percent	100.0	18.6	36.2	29.6	—	15.6
Total Aftermarket	$86,243	8,810	11,867	10,544	24,552	30,473
Percent	100.0	10.2	13.8	12.1	28.5	35.4

Source: Lindsay-Kaufman Company, March 1984

Chart 3

Total Service Dealer Sales

(Parts and Labor at Retail)



The growth in parts and labor since 1973 has almost tripled, just in the last 3 years going from $53.9 billion to $74.9 billion —

(Continued on next page)